

**Senate Bill No. 23**

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Passed the Senate September 8, 2005

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*Secretary of the Senate*

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Passed the Assembly September 7, 2005

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*Chief Clerk of the Assembly*

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This bill was received by the Governor this \_\_\_\_\_ day  
of \_\_\_\_\_, 2005, at \_\_\_\_\_ o'clock \_\_\_\_M.

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*Private Secretary of the Governor*

## CHAPTER \_\_\_\_\_

An act to amend Sections 12693.43 and 12693.92 of, and to add Section 12693.335 to, the Insurance Code, and to add Article 7.5 (commencing with Section 1120) to Chapter 4 of Part 1 of Division 1 of the Unemployment Insurance Code, relating to children's health insurance.

## LEGISLATIVE COUNSEL'S DIGEST

SB 23, Migden. Healthy Families Program and Medi-Cal.

Existing law requires the Employment Development Department to administer the unemployment compensation system, under which employers pay contributions to the department to fund the system. The department also collects other amounts from employers, including remittances of personal income taxes withheld by employers from employees.

Existing law also provides that specified duties be performed by the State Department of Health Services, including those associated with the administration of the Medi-Cal program.

Existing law creates the Healthy Families Program, administered by the Managed Risk Medical Insurance Board, to arrange for the provision of health care services to children less than 19 years of age who meet certain criteria, including having a limited gross household income. Existing law requires families with children participating in the program to pay specified family contribution amounts.

This bill would require the board, in collaboration with the State Department of Health Services, to develop an informational document that may be referred to as the "Healthy Families/Medi-Cal Workplace Notice," containing certain information about the Healthy Families Program and the Medi-Cal program. The bill would require the Employment Development Department to notify employers, as specified, who would be required to provide the notice to their employees. This bill would also require the board to establish processes that would allow an employer to elect to allow employees to have the family contribution payments for health care coverage under the Healthy Families Program deducted from the employee's pay and transmitted to the board by the employer, or to have the

contribution payments transferred from a designated financial institution to the board.

This bill would incorporate additional changes to Section 12693.43 of the Insurance Code made by AB 772 to become operative only if this bill and AB 772 are both enacted and this bill is enacted last.

*The people of the State of California do enact as follows:*

SECTION 1. Section 12693.335 is added to the Insurance Code, to read:

12693.335. (a) The board, in collaboration with the State Department of Health Services, shall develop an informational document that California employers shall provide to their employees.

(b) This informational document shall contain the following:

(1) A notification to employees of the availability of health coverage for children through the Healthy Families Program and Medi-Cal program.

(2) A description of program eligibility.

(3) A description of the method by which to obtain additional information about the program as well as application materials and enrollment instructions for the program.

(4) A description of all of the billing and payment options available to employees, including, but not limited to, an employer's option of paying an employees' family contribution through a payroll deduction process provided in paragraph (1) of subdivision (i) of Section 12693.43.

(5) A statement that no employer may discriminate against any employee on the basis of eligibility or non-eligibility for either the Healthy Families Program or the Medi-Cal program.

(c) The informational document shall be in a form that is easily duplicated by employers and transmitted by the board to the Employment Development Department.

(d) The informational document may be referred to as the "Healthy Families/Medi-Cal Workplace Notice."

SEC. 2. Section 12693.43 of the Insurance Code is amended to read:

12693.43. (a) Applicants applying to the purchasing pool shall agree to pay family contributions, unless the applicant has a

family contribution sponsor. Family contribution amounts consist of the following two components:

(1) The flat fees described in subdivision (b) or (d).

(2) Any amounts that are charged to the program by participating health, dental, and vision plans selected by the applicant that exceed the cost to the program of the highest cost family value package in a given geographic area.

(b) In each geographic area, the board shall designate one or more family value packages for which the required total family contribution is:

(1) Seven dollars (\$7) per child with a maximum required contribution of fourteen dollars (\$14) per month per family for applicants with annual household incomes up to and including 150 percent of the federal poverty level.

(2) Nine dollars (\$9) per child with a maximum required contribution of twenty-seven dollars (\$27) per month per family for applicants with annual household incomes greater than 150 percent and up to and including 200 percent of the federal poverty level and for applicants on behalf of children described in clause (ii) of subparagraph (A) of paragraph (6) of subdivision (a) of Section 12693.70.

(3) On and after July 1, 2005, fifteen dollars (\$15) per child with a maximum required contribution of forty-five dollars (\$45) per month per family for applicants with annual household income to which subparagraph (B) of paragraph (6) of subdivision (a) of Section 12693.70 is applicable. Notwithstanding any other provision of law, if an application with an effective date prior to July 1, 2005, was based on annual household income to which subparagraph (B) of paragraph (6) of subdivision (a) of Section 12693.70 is applicable, then this paragraph shall be applicable to the applicant on July 1, 2005, unless subparagraph (B) of paragraph (6) of subdivision (a) of Section 12693.70 is no longer applicable to the relevant family income. The program shall provide prior notice to any applicant for currently enrolled subscribers whose premium will increase on July 1, 2005, pursuant to this paragraph and, prior to the date the premium increase takes effect, shall provide that applicant with an opportunity to demonstrate that subparagraph (B) of paragraph (6) of subdivision (a) of Section 12693.70 is no longer applicable to the relevant family income.

(c) Combinations of health, dental, and vision plans that are more expensive to the program than the highest cost family value package may be offered to and selected by applicants. However, the cost to the program of those combinations that exceeds the price to the program of the highest cost family value package shall be paid by the applicant as part of the family contribution.

(d) The board shall provide a family contribution discount to those applicants who select the health plan in a geographic area that has been designated as the Community Provider Plan. The discount shall reduce the portion of the family contribution described in subdivision (b) to the following:

(1) A family contribution of four dollars (\$4) per child with a maximum required contribution of eight dollars (\$8) per month per family for applicants with annual household incomes up to and including 150 percent of the federal poverty level.

(2) Six dollars (\$6) per child with a maximum required contribution of eighteen dollars (\$18) per month per family for applicants with annual household incomes greater than 150 percent and up to and including 200 percent of the federal poverty level and for applicants on behalf of children described in clause (ii) of subparagraph (A) of paragraph (6) of subdivision (a) of Section 12693.70.

(3) On and after July 1, 2005, twelve dollars (\$12) per child with a maximum required contribution of thirty-six dollars (\$36) per month per family for applicants with annual household income to which subparagraph (B) of paragraph (6) of subdivision (a) of Section 12693.70 is applicable. Notwithstanding any other provision of law, if an application with an effective date prior to July 1, 2005, was based on annual household income to which subparagraph (B) of paragraph (6) of subdivision (a) of Section 12693.70 is applicable, then this paragraph shall be applicable to the applicant on July 1, 2005, unless subparagraph (B) of paragraph (6) of subdivision (a) of Section 12693.70 is no longer applicable to the relevant family income. The program shall provide prior notice to any applicant for currently enrolled subscribers whose premium will increase on July 1, 2005, pursuant to this paragraph and, prior to the date the premium increase takes effect, shall provide that applicant with an opportunity to demonstrate that subparagraph (B) of

paragraph (6) of subdivision (a) of Section 12693.70 is no longer applicable to the relevant family income.

(e) Applicants, but not family contribution sponsors, who pay three months of required family contributions in advance shall receive the fourth consecutive month of coverage with no family contribution required.

(f) Applicants, but not family contribution sponsors, who pay the required family contributions by an approved means of electronic fund transfer shall receive a 25-percent discount from the required family contributions.

(g) It is the intent of the Legislature that the family contribution amounts described in this section comply with the premium cost-sharing limits contained in Section 2103 of Title XXI of the Social Security Act. If the amounts described in subdivision (a) are not approved by the federal government, the board may adjust these amounts to the extent required to achieve approval of the state plan.

(h) The adoption and one readoption of regulations to implement paragraph (3) of subdivision (b) and paragraph (3) of subdivision (d) shall be deemed to be an emergency and necessary for the immediate preservation of public peace, health, and safety, or general welfare for purposes of Sections 11346.1 and 11349.6 of the Government Code, and the board is hereby exempted from the requirement that it describe specific facts showing the need for immediate action and from review by the Office of Administrative Law. For purposes of subdivision (e) of Section 11346.1 of the Government Code, the 120-day period, as applicable to the effective period of an emergency regulatory action and submission of specified materials to the Office of Administrative Law, is hereby extended to 180 days.

(i) (1) The board shall establish a process by which family contributions that are deducted from an applicant's pay are transmitted by the employer to the board. An employer shall not be required to make those payroll deductions. No employer may require any employee to make these payroll deductions.

(2) The board shall also establish a process by which family contributions may be transferred to the board through electronic funds transfer, or any other mechanism available that would facilitate the payment of family contributions, from a financial institution designated by the applicant.

SEC. 2.5. Section 12693.43 of the Insurance Code is amended to read:

12693.43. (a) Applicants applying to the purchasing pool shall agree to pay family contributions, unless the applicant has a family contribution sponsor. Family contribution amounts consist of the following two components:

(1) The flat fees described in subdivision (b) or (d).

(2) Any amounts that are charged to the program by participating health, dental, and vision plans selected by the applicant that exceed the cost to the program of the highest cost family value package in a given geographic area.

(b) In each geographic area, the board shall designate one or more family value packages for which the required total family contribution is:

(1) Seven dollars (\$7) per child with a maximum required contribution of fourteen dollars (\$14) per month per family for applicants with annual household incomes up to and including 150 percent of the federal poverty level.

(2) Nine dollars (\$9) per child with a maximum required contribution of twenty-seven dollars (\$27) per month per family for applicants with annual household incomes greater than 150 percent and up to and including 200 percent of the federal poverty level and for applicants on behalf of children described in clause (ii) of subparagraph (A) of paragraph (6) of subdivision (a) of Section 12693.70.

(3) On and after July 1, 2005, fifteen dollars (\$15) per child with a maximum required contribution of forty-five dollars (\$45) per month per family for applicants with annual household income to which subparagraph (B) of paragraph (6) of subdivision (a) of Section 12693.70 is applicable. Notwithstanding any other provision of law, if an application with an effective date prior to July 1, 2005, was based on annual household income to which subparagraph (B) of paragraph (6) of subdivision (a) of Section 12693.70 is applicable, then this paragraph shall be applicable to the applicant on July 1, 2005, unless subparagraph (B) of paragraph (6) of subdivision (a) of Section 12693.70 is no longer applicable to the relevant family income. The program shall provide prior notice to any applicant for currently enrolled subscribers whose premium will increase on July 1, 2005, pursuant to this paragraph and, prior to the date

the premium increase takes effect, shall provide that applicant with an opportunity to demonstrate that subparagraph (B) of paragraph (6) of subdivision (a) of Section 12693.70 is no longer applicable to the relevant family income.

(4) On and after July 1, 2006, twenty-three dollars (\$23) per child with a maximum required contribution of sixty-nine dollars (\$69) per month per family for applicants with annual household incomes greater than 250 percent and up to and including 300 percent of the federal poverty level.

(c) Combinations of health, dental, and vision plans that are more expensive to the program than the highest cost family value package may be offered to and selected by applicants. However, the cost to the program of those combinations that exceeds the price to the program of the highest cost family value package shall be paid by the applicant as part of the family contribution.

(d) The board shall provide a family contribution discount to those applicants who select the health plan in a geographic area that has been designated as the Community Provider Plan. The discount shall reduce the portion of the family contribution described in subdivision (b) to the following:

(1) A family contribution of four dollars (\$4) per child with a maximum required contribution of eight dollars (\$8) per month per family for applicants with annual household incomes up to and including 150 percent of the federal poverty level.

(2) Six dollars (\$6) per child with a maximum required contribution of eighteen dollars (\$18) per month per family for applicants with annual household incomes greater than 150 percent and up to and including 200 percent of the federal poverty level and for applicants on behalf of children described in clause (ii) of subparagraph (A) of paragraph (6) of subdivision (a) of Section 12693.70.

(3) On and after July 1, 2005, twelve dollars (\$12) per child with a maximum required contribution of thirty-six dollars (\$36) per month per family for applicants with annual household income to which subparagraph (B) of paragraph (6) of subdivision (a) of Section 12693.70 is applicable. Notwithstanding any other provision of law, if an application with an effective date prior to July 1, 2005, was based on annual household income to which subparagraph (B) of paragraph (6) of subdivision (a) of Section 12693.70 is applicable, then this



paragraph shall be applicable to the applicant on July 1, 2005, unless subparagraph (B) of paragraph (6) of subdivision (a) of Section 12693.70 is no longer applicable to the relevant family income. The program shall provide prior notice to any applicant for currently enrolled subscribers whose premium will increase on July 1, 2005, pursuant to this paragraph and, prior to the date the premium increase takes effect, shall provide that applicant with an opportunity to demonstrate that subparagraph (B) of paragraph (6) of subdivision (a) of Section 12693.70 is no longer applicable to the relevant family income.

(4) On and after July 1, 2006, twenty dollars (\$20) per child with a maximum required contribution of sixty dollars (\$60) per month per family for applicants with annual household incomes greater than 250 percent and up to and including 300 percent of the federal poverty level.

(e) Applicants, but not family contribution sponsors, who pay three months of required family contributions in advance shall receive the fourth consecutive month of coverage with no family contribution required.

(f) Applicants, but not family contribution sponsors, who pay the required family contributions by an approved means of electronic fund transfer shall receive a 25-percent discount from the required family contributions.

(g) It is the intent of the Legislature that the family contribution amounts described in this section comply with the premium cost sharing limits contained in Section 2103 of Title XXI of the Social Security Act. If the amounts described in subdivision (a) are not approved by the federal government, the board may adjust these amounts to the extent required to achieve approval of the state plan.

(h) The adoption and one readoption of regulations to implement paragraph (3) of subdivision (b) and paragraph (3) of subdivision (d) shall be deemed to be an emergency and necessary for the immediate preservation of public peace, health, and safety, or general welfare for purposes of Sections 11346.1 and 11349.6 of the Government Code, and the board is hereby exempted from the requirement that it describe specific facts showing the need for immediate action and from review by the Office of Administrative Law. For purposes of subdivision (e) of Section 11346.1 of the Government Code, the 120-day period, as

applicable to the effective period of an emergency regulatory action and submission of specified materials to the Office of Administrative law, is hereby extended to 180 days.

(i) (1) The board shall establish a process by which family contributions that are deducted from an applicant's pay are transmitted by the employer to the board. An employer shall not be required to make those payroll deductions. No employer may require any employee to make these payroll deductions.

(2) The board shall also establish a process by which family contributions may be transferred to the board through electronic funds transfer, or any other mechanism available that would facilitate the payment of family contributions, from a financial institution designated by the applicant.

SEC. 3. Section 12693.92 of the Insurance Code is amended to read:

12693.92. (a) The program shall prepare an annual report in conformance with the requirements of Section 2108 of Title XXI of the Social Security Act (P.L. 105-33). A copy of the report shall be provided to the Legislature and other interested parties.

(b) As soon as possible, but no later than July 1, 2000, the board shall include in its annual report information on (1) how assurance of preventive services by health plans and health care providers is achieved; (2) the performance of health plans and providers in providing preventive services and addressing barriers to service delivery; (3) the mechanism or mechanisms that will be used to identify changes over time in the health status of children enrolled in the program; and (4) for the federal fiscal years ending September 30, 2007, and September 30, 2008, the results of a survey asking individuals who call the program requesting the joint application developed pursuant to Section 12693.33 how the individuals heard about the Healthy Families Program and the Medi-Cal program. Beginning no later than July 1, 2001, the report shall include information about changes in the health status of children participating in the program.

(c) The board shall immediately provide the fiscal and policy committees of the Legislature with a copy of their submittal to the federal government to meet the requirements for state plan provisions as contained in Chapter 1 of Title XXI of the Social Security Act. Any and all subsequent amendments to the state plan shall also be provided accordingly.

SEC. 4. Article 7.5 (commencing with Section 1120) is added to Chapter 4 of Part 1 of Division 1 of the Unemployment Insurance Code, to read:

Article 7.5. Healthy Families Program and Medi-Cal

1120. (a) (1) An employer shall provide the Healthy Families/Medi-Cal Workplace Notice to each person who is employed by the employer within 90 days after the date that the Managed Risk Medical Insurance Board makes the document available on the Internet. However, an employer shall not be required to provide the notice prior to March 31, 2006.

(2) An employer may comply with the requirements of paragraph (1) by providing, on and after March 31, 2006, the Healthy Families/Medi-Cal Workplace Notice to employees within 10 days of their hiring or with the first itemized wage statement furnished pursuant to Section 226 of the Labor Code.

(b) For employees who do not receive a Healthy Families/Medi-Cal Workplace Notice pursuant to subdivision (a) because the employee was hired after notice was provided to other employees, an employer shall provide the Healthy Families/Medi-Cal Workplace Notice to the employee within 10 days of the date that his or her employment commences.

1121. (a) The department shall notify employers registered with the department on December 31, 2005, of the requirements of Section 1120. This notice may be provided in the department's "California Employer" quarterly newsletter or other means used by the department to clearly, effectively, and concisely communicate with all employers in a form that any reasonable business person would know where to look for the information. This notice shall include the following clear and concise information:

(1) The Internet Web site at which employers may obtain the Healthy Families/Medi-Cal Workplace Notice.

(2) The telephone number to call to obtain the Healthy Families/Medi-Cal Workplace Notice.

(3) A statement that employers may not discontinue existing health care coverage for their employees to take advantage of the coverage offered under the Healthy Families Program and Medi-Cal.

(b) The department shall notify employers who register with the department after December 31, 2005, of the requirements of Section 1120. This notice shall provide the same information required to be provided in subdivision (a).

(c) The department shall post the Healthy Families/Medi-Cal Workplace Notice on the Internet in a format that is easily downloaded in PDF format, text format, as well as other appropriate formats.

1122. The department shall collaborate with the Managed Risk Medical Insurance Board and with the State Department of Health Services to implement this article and the related provisions of the Insurance Code pertaining to the Healthy Families Program and Medi-Cal. The department may distribute information on behalf of the board if it is determined by both agencies to be the most cost-effective method of distribution.

SEC. 5. Section 2.5 of this bill incorporates amendments to Section 12693.43 of the Insurance Code proposed by both this bill and AB 772. It shall only become operative if (1) both bills are enacted and become effective on or before January 1, 2006, (2) each bill amends Section 12693.43 of the Insurance Code, and (3) this bill is enacted after AB 772, in which case Section 2 of this bill shall not become operative.







Approved \_\_\_\_\_, 2005

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*Governor*